

October 1, 2003

Mr. William Donaldson
Chairman
United States Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549

Dear Chairman Donaldson:

We are managers and fiduciaries of the largest pension funds in the United States. We are writing to you regarding the proposed rule on proxy access that the Commission will be issuing soon. We are gratified that, under your leadership, the Commission has recognized the importance of addressing this issue now. But we are also very concerned about what we have heard about the specifics of the proposed rule.

The proposed rule should, for the first time, allow long-term investors to nominate directors and have those nominees placed on the proxy materials that public corporations send out to all stockholders. The new rule must provide a mechanism that shareholders can use to place board nominees on the proxy ballot each time there is an election of directors. Only then can shareholders hold individual directors and the board as a whole accountable for their actions.

Certainly we have learned from the recent wave of corporate corruption scandals the importance of independent, active and accountable boards of directors. Allowing investors access to the company proxy card to nominate directors will encourage all corporations to improve the quality and increase the responsiveness of their boards of directors. This should result in increased accountability of both boards of directors and managers.

We are troubled that this opportunity for meaningful and lasting reform may be squandered. According to a number of credible reports, the Commission is expected to propose rules with a number of trigger requirements that will create nearly insurmountable barriers to the effective use of proxy access for major institutional shareowners such as ourselves. We understand the need for some reasonable threshold that ensures that proxy access is available to long-term investors and does not become a cheap route for corporate raiders. Our issue is accountability, not control.

Our understanding of the current proposal is that it is excessively restrictive, going well beyond deterring frivolous nominations and preventing abuse by corporate raiders. In particular, the use of triggering requirements would force undue delay and could effectively render any new rules meaningless at all but a handful of companies. This would create the illusion of access and the appearance of reform without offering actual access or real reform. Any rule that does not give shareholders timely proxy rights at all companies, especially companies in crisis such as those with multiple significant financial restatements or those under SEC investigation, will be harmful. Clearly, any rule with numerous triggers and restrictions that uniformly delays access beyond the next annual meeting is not an acceptable formulation.

The principle is clear. Shareholders are the owners. If we, as representatives of shareholders, wish to nominate candidates for director on the company proxy card, we should have that right. It is not reasonable or fair that incumbent boards have unlimited access to the corporate treasury, while owners bear costs of hundreds of thousands of dollars, if not millions, to contest the choices of failed boards. As fiduciaries of some of the largest public funds, we would use proxy access not to seek corporate control, but rather to help reform companies that have failed to live up to their obligations to their owners. Under current rules, however, the cost of intervention by means of shareholder nominations is prohibitively expensive.

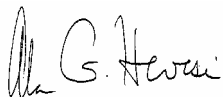
Competition for board seats and the accountability that contested elections impose will raise standards for those who serve as directors. It is also likely that the pool of available board candidates will be expanded, bringing more diversity and expertise to boards. Limited proxy access rules will serve only those companies that fear having truly independent boards.

There is no good reason for the SEC to restrict our right. If proxy access rules are drafted that do not allow challenges to ineffective boards, then a powerful opportunity for correcting fundamental problems in board governance will have been lost.

Corporate scandals inflicted a huge price not only on the individual companies, their employees and shareholders, but also on all investors and all Americans. The cost amounts to hundreds of billions of dollars and translates into millions of people whose standard of living has been lowered. We cannot allow this to happen again. Clearly, active independent boards of directors and active and involved shareholders are extremely effective defenses against corporate corruption. That is why we believe it is essential that proxy access rules provide a real opportunity for long-term investors to challenge boards that are unresponsive and unaccountable.

We would appreciate the opportunity to meet with you immediately on this very urgent matter, before this historical window of shareholder opportunity closes. May we impose on you to have your staff contact Julie Gresham at (212) 681-4480 so that we may make an appointment to meet?

Sincerely,



Alan G. Hevesi
Comptroller
State of New York



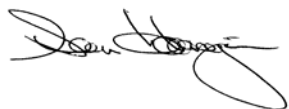
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Comptroller
City of New York



Philip Angelides
Treasurer
State of California



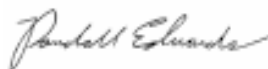
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State of California



Sean Harrigan
President of the Board
California Public
Employee's Retirement
System



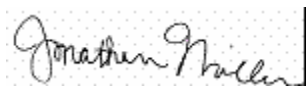
Barbara Hafer
Treasurer
State of Pennsylvania



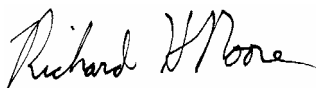
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Denise L. Nappier
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